

MACROECONOMICS

Oxford College of Emory University **Time:** T R 3:30 - 5:10 **Room:** Seney Hall 322

5x

Even though Costa Ricans are 5 times poorer than Americans, they report higher levels of happiness. Costa Rica has one of the highest literacy rates in the world, doesn't have a military, and 99 % of its electricity comes from sustainable resources .

But would you live there?

\$1.25

China recently surpassed the US as the largest economy in the world. Yet, it is still one of the five poorest countries worldwide in terms of the sheer number of people living in "absolute poverty" (less than \$1.25 a day). There are 1.2 billion people around the world who live with less than \$1.25 a day. The good news is that ... **we can get this number to 0 by 2030.**

GNH

Bhutan is now measuring social progress using gross national happiness instead of GDP.

Should the US follow?

WORLD FACTBOOK



7.1b

WORLD POPULATION



Despite the tremendous economic development in the past century, there are still **1.5 billion** people around the world who live **without electricity** and cook their food using open **fires**. About two thirds of them are undernourished and don't have access to clean drinking water.



3.3b

live with
less than
\$2 a day



= \$3.95 Starbucks
Venti Latte

5.5b



still wash their
clothes by hand.



ECON 112

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WHAT IS THIS **COURSE** ABOUT?

We have just been through one of the worst economic crisis since the Great Depression. Millions of people lost their jobs, trillions of dollars of wealth disappeared, real consumption declined significantly, and many businesses failed. In an effort to fight the recession, the US government borrowed trillions of dollars to bail out failed financial institutions (too big to fail) and to run projects aimed to stimulate the economy. These funds, much of which were borrowed from abroad-China, Japan, Saudi Arabia- will eventually have to be repaid. This will compromise future consumption and exacerbate the fiscal crisis that is looming over the United States due to the costly ongoing wars and expected shortages in the Social Security and Medicare programs. Even president Barrack Obama acknowledged that much of the prosperity in the past decade has been debt-driven.

483,000,000,000

There are all sorts of explanations for the crisis—from the frailty of human nature and the failure of government policy to the cultural obsession with home-ownership and the reliance on the wrong economic theory—and even more opinions as to what should be done. While some economist agree that the government stimulus has prevented further job losses and is thus beneficial in the short-run, others have argued that it is completely ineffective and in fact it will be devastating for the US economy in the long run. In addition, there will be a huge burden imposed on future generations of repaying trillions of dollars of federal debt issued to finance programs designed to fight the recession.

Crises of this sort are not new to capitalism. In fact, the whole history of capitalism is a history of periodic ups and downs, also known as business cycles. **What causes these periodic crises? Why do we have unemployment? Can government policies help the economy recover faster? What would be their long-run effect on economic growth and prosperity? How do we measure economic progress? Why are some countries wealthier than others? What is the place of the US in an integrated global economy?** These are some of the questions that macroeconomics tries to answer and we will discuss this semester.

There will no easy answer. The lack of consensus among economists shows that economics is a very ideological “science”—i.e., the predictions of economic models depends on the assumptions economists make about the world, which are often based on their own speculative beliefs about human nature. Your own acceptance of economic models will most likely be also prejudiced by your own intellectual history. The textbook that we will use this semester does not make an exception in this respect either and will only give you one side of the story. As always, there are many others. It is thus our goal to challenge our own preconceived ideas by exploring some of the alternatives for a richer and more complete view.

the US **economy** by the numbers

2014
Budget **Deficit**

\$52K
Median **Income**

5.9%
Unemployment Rate

#17
Life Satisfaction
Ranking



* Rankings for 36 OECD countries

SOURCES OF INCOME

In this class you buy your grade.

How do I do this? It's simple. You earn dollars by completing assignments and doing well on them. At the end of the semester, you use your earnings to buy your grade according to the prices provided in the syllabus. Luckily for you, good grades are not scarce so each one of you can have an A. Unfortunately, there is a monopoly supplier of grades, so A's can be pricey. The good news, however, is that it is easy to earn money. Here is how:

\$750K EXAMS

Your main source of income will be doing well on the exams. There will be three in-class exams, each worth \$250K. Each exam will include multiple choice, problem-solving, and short essay-type questions. Exams will not be cumulative but knowledge of prior material may be necessary to successfully solve (or understand) some problems later in the course. There will be no make-up exams. The only exception will be if the student has a credible reason and provides a convincing proof for their absence (e.g. a note from their personal physician explaining the nature of their illness). If the student needs to miss an exam for religious reasons I have to be notified at least two weeks in advance.

PRICES

A+	\$960K+
A	\$930K-\$960
A	\$900K-\$930
B+	\$860K-\$900
B	\$830K-\$860
B-	\$800K-\$830
C+	\$760K-\$800
C	\$730K-\$760
C-	\$700K-\$730
D+	\$660-\$700
D	\$630-\$660
D-	\$600-\$630
F	\$600-



+\$30K ORGANIC FARM

(3) **In-class assignments and active learning (up to \$100,000)** During the semester you may be involved in different classroom demonstrations, in-class assignments, small group projects, or be asked to complete short writing responses that I will assign as homework. These assignments will present additional opportunities to earn money.

\$100K DISCUSSIONS

An important part of your experience in this course will be two blackboard discussion forums (each worth \$50K) that will introduce you to important economic debates. You will need to post one entry per forum (500 words minimum) and comment on two posts per forum (100 words minimum). A good discussion post will show evidence that you have worked through the relevant readings and spent some time thinking about the topic. Your work should not be a mere repetition of what was discussed in class (if it was), but should add to the discussion by providing new and relevant information. You should strive to present your argument in a coherent, clear, and more scientific way. Always cite your sources so that other students can access your information readily.

\$120K +\$50,000 bonus PARTICIPATION

(1) **Article Presentation (\$50,000)** For this assignment, you will have to find an online article from a plausible source (e.g. www.economist.com) and write a short one page summary relating its content to a concept studied in class (e.g. economic growth, unemployment, inflation, fiscal policy, etc.) You will then voluntarily present it at the beginning of our lecture for no more than 5 minutes. Only three students can present per lecture, so don't wait until the end to earn your dollars when time can be scarce. The article should be no older than the first day of class and presentations will start on the fifth week of classes.



Is attendance required?

Missing class will not affect your grade directly. However, a good deal of your grade will be determined by in-class assignments given randomly throughout the semester. There will be **no make-up** for these exercises. More importantly, liberal arts education is by its nature aimed at careful **self-examination** and **discussion**. So if you do not plan to attend lectures regularly and participate constructively in class discussions, then you should withdraw from this course. My experience also shows that students who miss more than three lectures finish with a grade significantly below average.

What would happen if I fall asleep in class?

If you fall asleep in class, a supermassive black hole that lives 3.7 million light-years away will collide with ...well, another supermassive black hole. When this happens, the two black holes will form one behemoth black hole which will send ripples of dark energy through the universe that will eventually reach our galaxy, solar system, and planet. The dark energy will cause an unexpected current of really cold air to breeze through Antarctica. As a result a baby penguin will start flapping its wings vigorously to warm itself. This in turn will cause a two-week snowstorm in Georgia and all schools will have to be closed. Which means that the semester will be extended way into the summer, which I am sure is something that you don't want to happen.

What is the secret to success in this class?

The secret to success in this class happens to be the secret to success (and happiness) in life in general -- finding meaning in what you do, challenging yourself to improve, and persevering (sometimes in the face of adversity) to achieve your goals. Cracking a smile from time to time also helps.

Can I use an older version of the textbook?

Well, we will be using the **first edition** of the textbook, so there will be no older version. That being said, however, you can probably successfully use almost any other principles of macroeconomics textbook as the material is often very similar. If you are planning to use another version, make sure you run it by me first.

I text 24/7, can I text discretely in class?

Yes. As long as you don't disturb others, you are welcome to use electronic devices (including laptops) during lectures. However, bear in mind that excessive texting can be very distracting (especially in a small classroom setting) so try to limit the use of your phone and be respectful to everyone else in the classroom. Also, please use your laptops only to take notes and not to chat with friends on Facebook.

What will happen if I get caught cheating on an assignment?

Depending on the severity of the violation, you will most likely fail the assignment or the class. Make sure you familiarize yourself with the University policies regarding academic dishonesty and follow them strictly (refer to the **Student's Honor Code**).

Is everything that you teach us correct?

Of course it is. Well, maybe. Ok, no. Economics is a very controversial science. I encourage you to **remain skeptical** and to question everything I say in class and everything you read in the textbook. Sometimes the best way to discover how something works is to figure out why it fails to work. And the best I can do is to help you ask important questions to help you figure out precisely that.

How can I dispute a grade?

If you want to dispute a particular question(s) that you feel was not graded fairly, do this in a civilized manner by **turning your request in writing**, explaining the reasoning behind your answer, and why you should receive points back. However, if you wish me to re-grade a question, keep in mind that the revised grade may go in the opposite direction you wish it to.

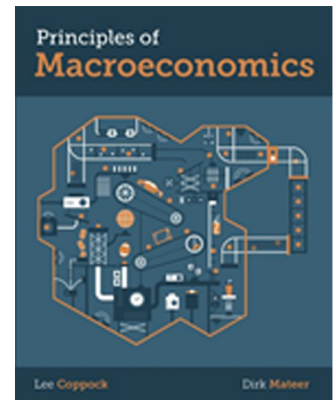
What is the best way to reach you?

The best way to reach me is to **send me an email**. If you want to meet with me in person, please include two different times that are convenient for you to meet. You can also call me on my cell phone 813-401-9756 (but please try not to call after 8pm).

How can I get the most out of this course?

Oscar Wilde once said that "**education is an admirable thing, but it is worth to remember from time to time that nothing that is worth learning can be taught.**" If you really want to learn in this course, then do it. By this I mean that you are the one that will do the learning, not me. So do it for yourself and do more than the bare minimum ... Get interested in a topic or a question, spend some time reading and researching about it, and come to class ready to share your curiosity. You may be surprised how rewarding this could be.

Schedule of Readings



Coppock, Lee and Dirk Mateer (2013).
Principles of Macroeconomics (1st ed.).
 W.W. Norton & Company.

January

- T: 13 (1) Course Overview
- R: 15 (2) Intro to Macroeconomics
- T: 20 (3) **Farm Day**
- R: 22 (4) GDP – Ch.6
- T: 27 (6) Unemployment – Ch.7
- R: 29 (7) Inflation & the Quantity Theory of Money – Ch.8

February

- T: 3 (8) The Market for Loanable Funds – Ch.9
- R: 5 (9) **Review Exam 1**
- T: 10 (10) **Exam 1 (Ch. 6, 7, 8, 9)**
- R: 12 (11) Movie/Discussion
- T: 17 (12) Economic Growth and the Wealth of Nations – Ch. 11
- R: 19 (13) Growth Theory – Ch. 12
- T: 24 (14) Aggregate Demand & Supply – Ch. 13
- R: 26 (15) Aggregate Demand & Supply – Ch. 13

Article presentations start

Should we ditch GDP and use new measures of socio-economic performance?

Discussion 1 DUE

March

- T: 3 (16) Movie/ Discussion [SP] due
- R: 5 (17) The Great Recession – Ch. 14
- T: 10 (18) **Spring Break – no class**
- R: 12 (19) **Spring Break – no class**
- T: 17 (20) **Review Exam 2**
- R: 19 (21) **Exam 2 (Ch. 11, 12, 13)**
- T: 24 (22) Movie/ Discussion
- R: 26 (23) Federal Budget - Ch. 15
- T: 31 (24) Fiscal Policy - Ch. 16



April

- R: 2 (25) Movie/ Discussion
- T: 7 (26) Money and the Federal Reserve – Ch. 17
- R: 9 (27) **Conference – no class**
- T: 14 (28) Monetary Policy – Ch.18
- R:16 (29) Concluding Remarks
- T: 21 (30) **Review for Final**
- R:23 (31) **Final Exam (Ch. 15, 16, 17, 18)**

Discussion 2 DUE

Is technological discovery taking off or do recent innovations amount to more hype than substance?"

* Additional readings may be assigned during the semester. You will be able to find them on Blackboard.

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